

EXHIBIT B

MESOCOAT, INC.
FAIR VALUE OF
100% EQUITY AS OF
AUGUST 31, 2015



October 30, 2015

MesoCoat, Inc.
c/o Robert W. Seiden, Esq.
Court-Appointed Receiver of MesoCoat, Inc.
1120 Avenue of Americas
New York, NY 10036

Re: MesoCoat, Inc.

Dear Mr. Seiden,

As requested, we have prepared a summary report with an opinion of the fair value of the 100 percent equity of MesoCoat, Inc. (“MesoCoat” or the “Company”) as of August 31, 2015 (the “Valuation Date”).

This valuation report has been prepared for purpose of assisting you in connection with your Receiver duties for MesoCoat. No other purpose was intended or implied.

Standard of Value – Fair Value

The standard of value is fair value. Although fair value is a judicial concept and there is no universally agreed upon definition, we relied on common definition of equitable, just, and reasonable value for an operating business in an arm’s length transaction.

Premise of Value – Going Concern Value

The premise of value is going concern. Going concern value represents the value of a business that is expected to continue to operate into the future, utilizing its operating assets for the production of income, and not in dissolution, termination, or liquidation.

Framework of the Valuation

We considered factors that relate to the fair value of the Company's equity at the Valuation Date. These factors, as set forth in Internal Revenue Service Revenue Ruling 59-60, include:

- The nature of the business and the history of the enterprise.
- The economic outlook in general and for the industry in particular.
- The financial condition of the business and the book value of the stock.
- The earning capacity of the company.
- The dividend paying capacity of the company.
- Whether or not the enterprise has goodwill or other intangible value.
- Sales of the stock and the size of the block to be valued.
- The market price of the stock of corporations engaged in the same or a similar line of business having their stocks actively traded in a free and open market, either on an exchange or over-the-counter.

Conclusion

We estimate the fair value of the equity of MesoCoat, Inc. to be **\$3,584,107** as of August 31, 2015.

Our analysis is subject to our Statement of General Assumptions and Limiting Conditions, which are attached to this valuation report.

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I. ABOUT THE COMPANY

History

MesoCoat, Inc. designs, develops, manufactures, and markets advanced nano-composite materials, innovative fabricated metal products, highly engineered metal composites and engineered reactive materials for applications in the oil and gas, petrochemical, mining, aerospace and defense, energy, infrastructure, and processing industries. Its technology portfolio includes high-speed, large-area metal cladding technology, long-life nano-composite anti-corrosion and wear coating materials, high-strength lightweight metal composites, and high-strength dissolvable materials. The Company has approximately 25 full time employees as of the Valuation Date.

Products and Services

The Company has two lines of transformational surface engineering solutions: coating (PComP) and cladding (CermaClad). CermaClad and PComP combine corrosion and wear resistant alloys, and nano-engineered cermet material with propriety high-speed coating or cladding application systems. The cladding and coating technologies eliminate corrosion, reduces wear, reduces erosion, reduces costs, saves time, reduces friction, and maximizes flow efficiency.

CermaClad is a high speed cladding process for large areas that utilizes a high intensity light source to rapidly fuse corrosion-resistant alloy, metal, and ceramic coatings on steel pipes, plates, and bars. The technology protects the surface areas against caustic and corrosive environments using a high intensity light source, which is effectively an artificial sun captured in a reflector to rapidly fuse metal and cermet coatings. PComP is Particulate Composite Powders, a thermal spray coating material designed to extend the life of components. These materials are nano-structured ceramic-metal composites formed with a nano-composite core and binder coating.

Recent Developments

- The Company secured a \$3 million strategic investment from one of the world's largest wear-resistant clad plate manufacturer, UP Sciencetech Material Corporation. In addition, UP Sciencetech Material Corporation entered into an agreement to develop, manufacture, and sell the Company's PComP thermal spray coating and CermaClad clad metal products in Taiwan, China, Japan, and Korea on a joint venture basis.
- The Company received its first commercial PComP order for the coating large roller screens and orders for coating lances used heavily in iron ore production.
- The United States District Court of the Southern District of New York granted a summary judgment motion in favor of George Town against the Company and MesoCoat. The Court's ruling focused on the contractual basis of the loan obligation. The Court issued an order finding Abakan Inc. and MesoCoat liable for the full principal and interest due in the amount of \$1,770,932.
- On August 19, 2015, the Court appointed a receiver over MesoCoat to administer payment of the above judgment.

Location

The Company maintains 16,000 sq. feet of the research and development space located at 24112 Rockwell Drive in Euclid, Ohio. It owns an 11,000 square feet custom-engineered CermaClad manufacturing facility located at 24220 Rockwell Drive, Euclid Ohio, 44060.

Ownership

On July 23, 2015, MesoCoat became a wholly owned subsidiary of Abakan Inc., a company listed on the OTCQB electronic quotation system.

II. ECONOMY

The following economic factors impact MesoCoat as of the Valuation Date:¹

- *Consumer Spending* – According to the National Economic Review, personal consumption spending is a primary component of overall economic growth and represents approximately two-thirds of total economic activities. In the second quarter of 2015, real personal consumption spending increased 2.9 percent, following increases of 4.3 percent and 1.8 percent in the fourth quarter 2014 and first quarter 2015, respectively.
- *Government Spending* – In December 2014, Congress passed a budget which funded government activity through September 2015. A stronger-than-expected tax season increased government revenue, leading the Congressional Budget Office to estimate reaching the debt ceiling in October or November 2015. Reaching the debt ceiling is a problem because it limits how much the government is able to spend. Thus affecting MesoCoat adversely as it caters to certain government needs.
- *Financial Markets* – According to the National Economic Review, the financial crisis in Greece directly impacted the U.S causing the Dow Jones Industrial Average (DJIA), the S&P 500, and the NASDAQ to experienced losses in June 2015. The DJIA was down 0.9 percent for the quarter while the S&P 500 decreased 0.2 percent and the NASDAQ rose 1.8 percent during the quarter.
- *Unemployment* – According to the National Economic Review, the unemployment rate was is the lowest in June 2015 since April 2008. It anticipates an unemployment rate of 5.1 percent by year-end 2015 and a further decrease to 4.9 percent by June 2016.
- *Interest Rates* – The Federal Reserve's Open Market Committee lowered its target for the federal funds rate to a range of 0 percent to 0.25 percent during the fourth quarter of 2008, representing a total rate cut of 175 to 200 basis points during the quarter. These target rates have remained unchanged through the fourth quarter of 2015. As of the Valuation Date, prime rate was at 3.25 percent.
- *Outlook* – Economic growth is expected to remain positive, though MesoCoat may not be able to convert some of these benefits as it is under a lot of pressure to pay it financial obligations and raise capital to deliver more commercially viable technology.

¹ National Economic Review 2nd Quarter 2015.

III. INDUSTRY

When performing a valuation of an operating company, it is important to understand and assess the risk factors specific to the subject company's industry. The following factors have noteworthy impact on the metal plating and treating industry:²

- The industrial production index, a measure of output from the industry's suppliers and customers, is expected to rise, representing an opportunity for the industry.
- The turnover for metal stamping and forging companies, steel framing companies, steeling rolling companies, and boiler heat exchange manufacturing is on the increase, thus impacting demand positively within the industry.
- Steel is a primary input used by downstream industries, while zinc is an integral input for galvanized steel. When demand is healthy, companies are able to pass the cost of zinc to downstream customers, however poor demand in the recent past made it difficult to pass on costs. As a result, higher zinc prices negatively affected industry operators. The prices of steel and zinc are expected to be on the rise.
- The metal plating and treating industry is fragmented with each business capturing only a small share of the industry. A significant number of major industry players are small firms that serve local and regional markets.
- The barriers to entry are very high in this industry as significant capital investments are required and obtaining the necessary supply contracts could be a long drawn process. The high level of competition is a major driver of technological changes in the industry. Industry players continually innovate and adapt their servicing methods to align with the technological changes in downstream markets. Continuous improvements are necessary and in some cases new process are developed in coating and metal treatment processes to meet customers' ever changing requirements.
- The metal plating and treating industry is highly regulated. According to the Environmental Protection Agency (EPA), metal coating emit toxic air pollutants with effects including irritation of the eyes and lungs. These pollutants also affect the central nervous system and could cause damage to the liver.
- Industry players are expected to adhere to the Clean Air Act and Clean Water Act which requires compliance standards and regulations that enforce limits on the emission of pollutants and regulates the discharge of pollutants into surface water.

² IBISWorld – Metal Plating & Treating in the US: August 2015.

IV. COMPETITION³

As discussed in the industry section, the industry is highly fragmented with a large number of firms serving regional areas. Industry players primarily competed on product prices and quality. Operational success is dependent on the ability to provide higher quality services at a faster rate and a lower cost. It is expected that having control over every aspect of the manufacturing process would improve a company's ability to achieve competitive success and profitability as vertically integrated operation limits a firm's exposure to competition.

MesoCoat considers its competitive advantages to be its management, products, intellectual property, qualification and testing, and fundraising.

³ IBISWorld – Electrical Equipment Wholesaling in the US, January 2015 and Electronic Part & Equipment Wholesaling in the US, February 2015.

V. FINANCIAL STATEMENT ANALYSIS

When valuing an operating company it is important to assess its financial performance over time. Past growth and profitability can provide an indication of future performance and help put the company's current performance into a historical context. Financial statement analysis also provides a basis to compare a company against its industry peers.

We have reviewed the historical financial statements of MesoCoat in order to determine the appropriate methodology to use in estimating the fair value of its equity. Please see below for the summary of its historical performance:

Historical Income Statements

Management provided the income statement for the 3 months ended August 31, 2015 for MesoCoat on a standalone basis. No other financial statements or tax returns were provided to us. MesoCoat recorded revenues of \$44,636 and gross profit of (\$7,907).

For the same period, MesoCoat's total operating expenses were \$0.5 million representing more than 1000 percent of revenues. As a result, MesoCoat recorded a net loss of \$0.77 million for the 3 months ended August 31, 2015.

Historical Balance Sheet

As of the Valuation date, MesoCoat's current assets accounted for 27.6 percent of its total assets. Approximately 92 percent of its current assets were loans receivable from affiliates of \$1.5 million. The operating current assets – inventory, prepaid expenses and account receivables - represented less than two percent of total assets.

As discussed in the industry section, the industry requires significant capital investment, the book value of MesoCoat's fixed assets was \$4.0 million representing 68 percent of total assets. The carrying value of its intellectual property were recorded as \$0.25 million as of the Valuation Date.

Total liabilities represented approximately 36.1 percent of total assets. MesoCoat's long term debt was \$1.3 million and the carrying value of its equity based on the balance sheet provided by Management was approximately \$3.8 million.

VI. VALUATION METHODOLOGY⁴

There are three traditional valuation approaches: the income approach, the market approach and the cost approach. It is generally agreed that all valuation methods can be categorized either as a form of one of these approaches or as a hybrid of two or more of these approaches.

In order to arrive at our estimate of fair value for the assets and liabilities of MesoCoat, we considered these three generally accepted approaches. Within each of these categories, a variety of methodologies exist to assist in the estimation of fair values. Acceptable approaches of determining the fair value of a business include:

Cost Approach – Based on the notion that the value of the enterprise business is approximated by the value of the tangible and intangible assets after recasting or normalizing the historical balance sheet to reflect all assets and liabilities at their fair value. This method is most pertinent where a company's value is tied directly to the value of its underlying assets.

Income Approach – Based upon the economic principal of expectation, this approach requires the determination of the company's representative earning power. This future income or benefit stream is then discounted back to a present value. Alternatively, a representative earnings stream with constant growth into perpetuity is capitalized at a pre-determined percentage.

Market Approach – Based upon the economic principal of substitution, this approach uses a comparison with multiples of publicly traded businesses or comparable private and public company transactions in similar industries and with similar financial metrics as the subject company.

Based on the historical performance of MesoCoat and its inability to meet its current obligations, we have relied on the Cost approach as being indicative of its Fair Value. In developing the Fair Value of the underlying assets held by MesoCoat, we have discussed the nature of these assets and liabilities with Management. We relied upon the income approach in estimating the Fair Value of the intellectual property ("IP") and the lease agreement; and estimate of values provided by Management for other assets and liability as discussed below.

Cash

Management provided the cash balances based on five bank statements as \$58,522. We have accepted these cash balances as accurate and complete based on the bank statements provided and taken the book value of cash to be representative of its Fair Value. We have not audited the cash balance provided in the Fair Value Balance Sheet.

⁴ 2014 Publications: pwc-business-combinations-non controlling-interests.pdf

Inventory

In accordance with ASC 330, inventory should be reported at the lower of cost or market. Raw material inventories are recorded at fair value and are generally measured based on the price that a market-participant would pay currently for the inventory. The fair value of finished goods inventory is generally measured by determining net realizable value (i.e., estimated selling prices of the inventory, less the sum of (1) costs of disposal and (2) a reasonable profit allowance for the selling effort) as this represents an exit price. Work in process inventory is measured similarly to finished goods inventory except that, in addition, the estimated selling price is adjusted for the costs to complete the manufacturing, and a reasonable profit allowance for the remaining manufacturing effort.

Management indicated the book value of the inventory recorded as of the Valuation Date was based on cost estimates of the 87 pounds of raw materials, 573 pounds of work in process and 437 pounds of finished goods at \$31.51 per pound. Based on our discussion with Management, these cost estimates were calculated based on average costs of raw materials in the inventory pool and does not include any overhead charges and payroll costs for work-in-process and finished goods. We have utilized the carrying value of this inventory - \$34,560 - as representative of the Fair Value.

Account Receivables

It is acceptable to value accounts receivable either on a stand-alone basis or in combination with other assets. When valued on a stand-alone basis, fair value is the price that would be received to sell the accounts receivable (i.e., an exit price). The price that would be received will generally be based on the sale of accounts receivable to a market-participant that is in the business of acquiring accounts receivable. In that circumstance, the fair value of accounts receivable would result in a reduction to the face amount, which reflects the collection risk, the timing of payment, and a profit element to the market-participant.

Management provided the listing of all account receivables as of the Valuation Date, we observed that certain balances were aged over ninety days. We have discussed the collection risks of these two accounts with Management and developed the Fair Value estimates based on these risks. It is our understanding that \$18,693 of the over ninety days aged receivables are due from Metallurgical Solutions, a related company in Mexico. The sales agreement with Metallurgical Solutions was terminated effective May 31st, 2015 after it has provided assistance in sales, marketing and consulting activities related to developing MesoCoat's business in Mexico. The sales agency termination agreement stipulated that Abakan Inc. shall authorize the issuance of Eight Hundred Thousand (800,000) shares to Metallurgical Solutions to release MesoCoat of its obligation.

Based on our call with Management on October 21, 2015, Metallurgical Solutions considers it has a receivable of approximately \$100,000 due from MesoCoat that offsets any receivables MesoCoat expected to receive; thus reflecting a high level of collection risks. We believe MesoCoat may not be able to collect this portion of the receivables, thus we deducted this balance from the carrying value of accounts receivables.

The remaining balance of the over ninety days aged receivables are due from a G-102, government contract and the funds should be available once the government has settled the contract. Based on the above, we have estimated the Fair Value of the accounts receivable to be \$22,285 as of the Valuation Date.

Loan Receivables-affiliates:

The loan receivables on the balance sheet of MesoCoat resulted from a lease arrangement between MesoCoat Inc., MesoCoat Technologies Canada Corporation and Northern Alberta Institute of Technologies (NAIT). Based on our discussion with Management and review of the equipment contribution agreement between MesoCoat, MesoCoat Technologies Canada Corporation and NAIT, NAIT leased the equipment for a total payment of CAD\$500,000.

Under U.S. GAAP, the asset subject to the lease would be recognized and measured at fair value unencumbered by the related leases; if the acquiree is a lessor in an operating lease. In other words, the leased property (including any acquired tenant improvements) is measured at the same amount, regardless of whether an operating lease is in place. An intangible asset or liability may also be recognized if the lease contract terms are favorable or unfavorable as compared to market terms. In addition, in certain circumstances, an intangible asset may be recognized at the acquisition date for the value associated with the existing leases and for any value associated with the relationship the lessor has with the lessee⁵.

If the acquired entity is a lessor in a lease other than an operating lease, such as a direct finance or sales-type lease. The acquirer recognizes and measures a financial asset that represents remaining investment in the lease. Such investment would be recognized in accordance with ASC 840 or IAS 17, based on the nature of the lease arrangement, and would typically include any value associated with the existing “in-place” lease. Further, the acquirer lessor would recognize and measure the residual value, if any, of the leased asset.

For the purpose of our Valuation, the equipment on lease with NAIT was considered and treated as a finance lease based on the following points as discussed with Management:

- a) The equipment would not be returned to its initial location at the end of the lease period;
- b) NAIT indicated that the total grant available for the research in connection with this equipment is CAD\$500,000 and there is currently no additional resource to extend the lease;
- c) MesoCoat has no other future use for this equipment as Management indicated that there is no current market for the equipment on a standalone basis, the equipment must be sold with the underlying IP or it has no use/value.

As of the Valuation Date, MesoCoat confirmed it has received all current payments due on the lease obligation and the remaining payments are expected to be made in line with the timing on the agreement. Based on the above, we have considered the intercompany receivable a financial asset for the remaining value of the lease payments and included no residual value. We have estimated the Fair Value of the financial asset by discounting the future payments under the lease agreement using an after-tax cost of debt of 3.3 percent.

⁵ ASC 805-20-30-5.

We have estimated the Fair Value of the intercompany receivables as \$102,000 (rounded) as of the Valuation Date. Please refer to Exhibit 5 for our Fair Value estimate of the Loan Receivables - affiliates.

Land and Building:

The fair value of certain tangible assets specifically buildings, machinery, and equipment; is established using the market approach or the income approach because there is usually available market data for sales and rentals of buildings, machinery, and equipment. In the rare instances in which a reporting entity is valuing buildings, machinery, and equipment for which there is no market data for sales or rentals, the depreciated replacement cost approach may be used to measure fair value. The following assets were recognized in the balance sheet of MesoCoat as of the valuation Date:

- Computer Equipment
- Office Furniture & Fixtures
- Machinery & Equipment
- Leasehold Improvements
- Land - Building 3
- Building

We have relied on Management's representation of the fair values of these fixed asset as accurate and complete. We have not audited the underlying information however, it is our understanding that Management hired an independent appraiser to estimate the fair value of the land and Building 3. We have relied on this representation and our concluded equity values are dependent on the representation. Any changes to the fair value estimate performed by the independent appraiser would impact the value conclusion.

Based on the information provided by Management, we have utilized a Fair Value of \$3,578,350 for the plant, property and equipment held by MesoCoat as of Valuation Date.

Intangible Assets

MesoCoat developed and owns proprietary technology for the production of metallurgically clad pipe marketed under the CermaClad trademarks and particle composite powders used in thermal spray applications marketed under the trade mark PComP. The Clad IP patents included i) article and method of manufacturing related to nanocomposite overlays - Pipe/Plates/Corrosion Resistant Alloys/Wear Resistant and ii) Method and apparatus for forming clad metal products – Pipe Cladding. The PComP patents included the following three patents i) heterogeneous composite bodies with isolated lenticular shaped cermet regions – PComP W; ii) ternary ceramic thermal spraying powder and method of manufacturing thermal sprayed coatings using PComP powder – PComP M; and iii) coatings, composition and method related to non-spalling low density hard face coatings – PComP T/S.

Based on the balance sheet provided by Management, the carrying value of intellectual properties was \$251,904. We have estimated the Fair Value of the intellectual properties using the relief-from-royalty method of the income approach.

Relief-from-Royalty Methodology

The relief-from-royalty method is a form of the income approach that is commonly used in the valuation of intangible assets. It is based on the principle that ownership of the intangible asset relieves the owner of the need to pay a royalty to another party in exchange for rights to use the asset.

The relief-from-royalty method may be appropriate for valuing an intangible asset where:

- Its contribution to cash flow is comparable to that made by a similar licensed asset (for example, licensed assets typically do not represent the only or major source of return; they are usually subcomponents or ancillary items);
- It can be reasonably separated and it is practical and possible to separately license it;
- Its ownership rights can reasonably be compared to the rights under a license (for example, similar geographic market coverage, duration, exclusivity, limitation, technology, and type of customer);
- Verifiable objective information regarding royalty rates, including rates for agreements that confirm comparable economic rights for similar intellectual property can be easily obtained.

The following summarizes the approach for the relief-from-royalty method:

- Estimate the cost savings based on the hypothetical royalty payment that a licensee would be required to pay in exchange for use of the asset.
- Develop an estimate of prospective financial information (usually revenues) for the subject intangible asset.
- Estimate a hypothetical royalty rate and apply this rate to the prospective financial information for the intangible asset in order to estimate the cost savings.
- Reduce the resulting cost savings by the amount of tax savings realized by the licensee on the royalty payments.
- Discount the estimated cost savings to a present value using selected discount rate and then sum.
- Add the value of the tax amortization benefit to the present value of the cash flows, as appropriate, to arrive at the total value of the subject intangible asset.

CermaClad Intellectual Property (“Clad IP”)

In order to estimate the Fair Value of the Clad IP, we have considered the relief-from-royalty method, but we have ultimately concluded that there is no measurable and/or separately identifiable value related to the Clad IP.

Management provided the revenue projections for the 8 months ended May 2016 through May 2019 were used in the valuation. The revenue for the Clad IP was expected to begin in fiscal year 2017, based on our discussion with Management there are currently no sales and no contractual agreements related to the Clad IP. The underlying assumptions utilized in developing the projections are as follows:

- Production out of four plants, Euclid, Canada, Indonesia and Mexico – current only the pilot plant in Euclid, OH (Building 3) exists;

- The current capacity of the Euclid plant is limited to wear resistant clad plate;
- The pipe cladding process has been under development since 2011 and has been able to successfully clad (coat) 3 feet of pipe; significant technical and process development would be needed before any sales can occur.

Based on the above, we have allocated no separate value to the Clad IP.

PComP Intellectual Property (“PComP IP”)

In order to estimate the Fair Value of the PComP IP, we have utilized the relief-from-royalty method. In the application of this method, we estimated the value of the IP by discounting the royalties “saved” by virtue of ownership of the intellectual property. In other words, the holder of the intellectual property realizes a benefit from owning the intangible asset rather than paying a rent or royalty for the use of the asset. The relief-from-royalty method uses Management’s projections of revenues over the remaining useful life of the intellectual property, applies a market royalty rate related to those revenues, and subsequently discounts the projected benefits at a selected discount rate.

Based on discussions with Management, the PComP IP was considered commercially viable and currently has two buyers. The PComP revenue projections for the 8 months ended May 2016 through May 2019 were used in the valuation. In addition, intellectual property was estimated to have an indefinite life, a terminal value was calculated by applying the Gordon growth model. We applied a long term growth rate of 1.0 percent as of the Valuation Date. The royalty rate utilized in this analysis was estimated on the basis of royalty rates of similar licensing agreements. See Exhibit 4 for a summary of the market based royalty rates.

The pre-tax royalties avoided were estimated by multiplying the total revenues from the PComP IP by a pre-tax royalty rate of 3 percent. The after-tax royalty savings was estimated by multiplying the royalties avoided by a calculated tax rate. We converted the net royalties avoided to their present value equivalent using a present value factor based on a rate of return of 21 percent. This discount rate was based on the discount rate calculated for MesoCoat as of the Valuation Date and consideration of the relative risk associated with the intellectual property.

We have assumed mid-period discounting in the calculation of the present value of cash flows. Finally, we included a tax amortization benefit to estimate the Fair Value of the intellectual property. We estimated the Fair Value of the PComP IP to be approximately \$1.6 million as of the Valuation Date

No other assets are being transferred except those discussed above.

Liabilities Assumed:Accounts payable

The fair value of accounts payable and accrued liabilities assumed in a business combination would be based on the price paid to transfer the accounts payable and accrued liabilities to a market-participant. The fair value will incorporate timing of the payments to be made, nonperformance risk, the current interest rate environment, and a profit element required by market-participants to service the liability. In practice, the carrying value of accounts payable is often a good approximation of fair value as the future liability amount is certain and due in a short period of time. The implied time value of money likely provides the required return to the party assuming the liability. For accrued liabilities, if a performance obligation exists and amounts are uncertain, additional elements such as a profit factor may be required to provide the required return to the party assuming the liability.

Based on our discussion with Management, it is our understanding that the book value of the account payables are representative of the fair values. We have not audited the values provided however, we have checked the underlying account payable schedules provided.

Other Current Liabilities

Management indicated that the other current liabilities assumed are gross wages payable, accrued worker's compensation insurance and accrued vacation. We have relied on the values provided by Management as accurate and fully representative of the current liabilities, however, we have not audited the values of the liabilities provided.

Long-term debt

Under the Fair Value Standards, the fair value of a liability is based on the price to transfer the obligation to a market-participant at the measurement date, assuming the liability will live on in its current form. However, in the absence of an observable market for the transfer of a liability, the Fair Value Standards require that preparers consider the value of the corresponding asset held by a market-participant when measuring the liability's fair value⁶.

The Basis for Conclusions of ASU 2011-4 and IFRS 13 states, "in the boards' view, the fair value of a liability equals the fair value of a corresponding asset, assuming an exit from both positions in the same market." However, assets and liabilities typically trade in different markets (if they trade at all) and therefore may have different values. The holders of the asset and liability don't transact in the same market and wouldn't likely value the asset and liability in the same way.

⁶ 2014 Publications: pwc-business-combinations-non controlling-interests.pdf

We have estimated that the book values of liabilities assumed approximates the Fair Value. We have not audited the values provided, however, we have reconciled the value on to the book values provided. Management indicated the long term debt assumed are as follows:

Long Term Debt	Amount
Magnet Loan	\$29,611.30
Olympus Loan	\$7,389.47
IOLF Note	\$896,671.28
Huntington Bank	\$97,053.14
Total Long Term Debt	\$1,030,725.19

VII. DISCOUNT RATE

The cost of capital is the expected rate of return that the market requires in order to attract funds to a particular investment. This rate of return reflects both the time value of money and risk. The key question in the development of this discount rate is, “What is an appropriate rate of return to expect if the future cash flows to investment holders were ‘purchased’?”

We have estimated MesoCoat’s weighted average cost of capital (“WACC”) by (a) estimating the its’ cost of equity, (b) estimating the after-tax cost of debt, and (c) estimating the optimal blend of debt and equity in the its capital structure.

The Company’s WACC is calculated as follows (terms used are defined in the following sections):

$$\text{WACC} = (\text{Ke} \times \text{We}) + (\text{Kd} \times \text{Wd})$$

Where: Ke = Cost of equity
 We = Equity weight assumed in the Company’s capital structure
 Kd = Cost of debt (after-tax)
 Wd = Debt weight assumed in the Company’s capital structure

Cost of Equity

We utilized the capital asset pricing model (“CAPM”) to estimate the Company’s cost of equity.

The CAPM is a widely used method of estimating required rates of return on equity. The model assumes that the cost of equity is equal to a risk-free rate of return, plus a premium to take into account the market risk anticipated for a particular company, project or asset. Our calculation of the cost of equity using the adjusted CAPM is included in Exhibit 6. The adjusted CAPM formula is presented below:

$$\text{Ke} = \text{R(f)} + (\beta \times \text{MRP}) + \text{R(s)} + \text{R(cs)}$$

Where: R(f) = Risk-free rate
 β = Beta coefficient (representing systematic risk)
 MRP = Market risk premium (long term equity market return in excess of the risk-free rate)
 R(s) = Small stock risk premium
 R(cs) = Company specific risk premium (“CSRP”)

Risk-free Rate R(f)

The risk-free rate is the rate of return available in the market on an investment free of default risk. We have considered the yield on 20-year US Treasury securities to be indicative of a risk-free rate. The yield on these securities as of the Transaction Date was **2.64** percent.

Beta Coefficient (β)

Systematic risk is the risk that is common to an entire class of assets. The traditional CAPM includes systematic risk as a factor in determining the required rate of return, represented by the beta coefficient. The beta coefficient represents the subject company's relationship to the expected return in the overall market (represented by the market risk premium). A beta coefficient greater than 1.0 implies greater systematic risk than the market while an industry beta of less than 1.0 implies less systematic risk than the market.

We estimate the beta coefficient applicable to MesoCoat to be 1.85 percent based on the observed unlevered beta of the guideline public companies' returns compared to the return of the S&P 500 index. See below for a list of companies we used to calculate beta.

- **Park-Ohio Holdings Corp** – Park-Ohio Holdings Corp is an industrial supply chain logistics and diversified manufacturing business operating in three segments: supply technologies, assembly components, and engineered products. Its' supply technologies segment provides engineering and design support, part usage and cost analysis and other services. The assembly components segment manufactures cast and machined aluminum components, automotive and industrial rubber, thermoplastic products, gasoline direct injection systems, fuel fillers, and hydraulic assemblies for automotive, agricultural equipment, construction equipment, heavy-duty truck, and marine equipment industries and offers design and engineering, machining, and assembly services. The engineered products segment is involved in the engineering, construction, service, and repair of induction heating and melting systems to component manufacturers and original equipment manufacturers (OEMs). Park-Ohio Holdings Corp. was founded in 1961 and is headquartered in Cleveland, Ohio.
- **Ferro Corporation**– Ferro Corporation produces specialty materials in the United States and internationally. It operates through four business units: tile coating systems; porcelain enamel; performance colors and glass; and pigments, powders and oxides. The products include frits, porcelain and other glass enamels, glazes, stains, decorating colors, pigments, inks, polishing materials, specialty dielectrics, electronic glasses, and other specialty coatings used in appliances, automobiles, building and renovation, electronics, household furnishings, industrial products, and packaging. Ferro Corporation markets and sells its products to manufacturers of ceramic tile, appliances, construction materials, automobile parts, glass, bottles, and wall coverings directly, as well as through indirect sales channels, such as agents and distributors. Ferro Corporation was founded in 1919 and is headquartered in Mayfield Heights, Ohio.
- **Gulf Island Fabrication, Inc.** – Gulf Island Fabrication, Inc. operates as a fabricator of offshore drilling and production platforms, and other steel structures for customers in the oil and gas, and marine industries. It fabricates jackets and deck sections of fixed production platforms; hull, tendon, and/or deck sections of floating production platforms, floating production storage and offloading vessels, minimum deepwater operating concepts, and various production, compressor, and utility modules. In addition, it offers interconnect piping services on offshore platforms and inshore steel structures; fabricates pressure vessels, and large and small packaged skid units; and on-site construction and maintenance services. Gulf Island Fabrication was founded in 1985 and is headquartered in Houston, Texas.

- ARC Group Worldwide, Inc. (ARCW) – ARC Group Worldwide manufactures and sells precision components, tooling products, flanges, fittings, and wireless equipment in the United States and internationally. It operates in four segments: precision components group, 3dmt group, flanges and fittings group, and wireless group. It offers engineered fabricated metal components using processes consisting of metal injection molding, metal stamping, and the hermetic sealing of various components for medical and dental devices, firearms and defense, automotive, aerospace, consumer durables, and electronic devices industries. ARC Group Worldwide also offers custom machining solutions and flange facings; precision net shape metal components; and 3D printing services. ARC Group Worldwide, Inc. is based in Deland, Florida.
- Chicago Rivet & Machine Co. – Chicago Rivet & Machine Co. operates through two segments, fastener and assembly equipment. The fastener segment manufactures and sells rivets, cold-formed fasteners and parts, and screw machine products. The assembly equipment segment manufactures automatic rivet setting machines, automatic assembly equipment, and parts and tools for such machines. Chicago Rivet & Machine Co. primarily sells its products to automobile and automotive component manufacturers through its independent sales representatives. It was founded in 1920 and is headquartered in Naperville, Illinois.
- Valmont Industries, Inc. - Valmont Industries, Inc. produces and sells fabricated metal products in the United States and internationally. It operates in four segments: engineered infrastructure products, utility support structures, coatings, and irrigation. The engineered infrastructure products segment manufactures engineered metal structures and components for the lighting and traffic, wireless communication, roadway safety, and access systems applications. The utility support structures segment manufactures steel and concrete pole structures for electrical transmission, substation, and distribution applications. The coatings segment provides hot-dipped galvanizing, anodizing, powder coating, and e-coating services. The irrigation segment manufactures and distributes mechanical irrigation equipment and related service parts under the Valley brand for the agriculture industry. Valmont Industries, Inc. also manufactures forged steel grinding media for the mining industry; tubular products for industrial customers; electrolytic manganese dioxide for disposable batteries; and fiberglass composite support structures, as well as distributes industrial fasteners. It serves state and federal governments, contractors, utility and telecommunications companies, manufacturers of commercial lighting fixtures, and large farms, as well as the general manufacturing sectors. Valmont Industries, Inc. was founded in 1946 and is headquartered in Omaha, Nebraska.

Market Risk Premium

We relied on a study by Duff & Phelps, LLCC, published in the 2015 Valuation Handbook (the “Valuation Handbook”). The Valuation Handbook contained data from January 1926 through December 2014 that indicated that the arithmetic long-term MRP was **6.21** percent. This is the average annual additional return that large-capitalization stocks have provided over and above the average annual cash return from the 20-year Treasury bond over that 89-year time frame.

Unsystematic Risk Premiums (Size Premium and Company Specific Risk Premium)

Unsystematic risk, represented by factors such as (i) a small stock size premium and (ii) a company specific risk premium, comprise the risks unique to the circumstances of a specific company, as opposed to those affecting the overall market. In principle, unsystematic risk can be mitigated by holding a diversified portfolio of shares.

Several studies of publicly traded companies provide evidence that, on average, smaller companies require higher rates of return than larger companies. We referred to the Valuation Handbook which provides annual data regarding such size premiums. We have applied a small stock size premium of **5.99** percent based on the Decile 10 size premium which is appropriate given MesoCoat's equity value.

Cost of Equity (Adjusted CAPM)

Included in this figure is a positive 4 percent company specific risk premium to account for following risk factors specific to the Company and its industry.

- Significant risk in forecasts due to limited sales
- Customer concentration
- Expected increase in capacity modeled into the projections
- Inferior liquidity as compared to the industry

Based on the information above we have estimated the cost of equity to be **24** percent.

Cost of Debt (Kd)

The cost of debt represents the required return of debt holders, on an after-tax basis. Kd is estimated on an after-tax basis as interest payments to debt providers will reduce the subject company's overall income tax liability. The formula used to estimate Kd is presented below:

$K_d = K_b \times (1 - t)$

Where: K_b = Pre-tax cost of debt
 t = Corporate income tax rate

We have estimated MesoCoat's pre-tax cost of debt to be 5.0 percent which is the estimated blended cost of debt based on short-term and long-term debt financing. After applying an income tax rate of 34.0 percent, we arrive at an after-tax cost of debt of **3.30** percent.

Capital Structure and WACC and Intangible Asset Discount Rate Conclusion

Based on the leverage ratios of the identified market participants and present prevailing conditions for Mesocoat, we have selected an optimal capital structure of **25.0** percent debt and **75.0** percent equity.

Based on the selected capital structure, we calculated the WACC of MesoCoat to be **19.0** percent (rounded) as of the Valuation Date.

We applied an additional premium of 2 percent to account for the risk inherent in the IP intangible assets as well. The following factors were considered in arriving at the premium for the intangible assets:

1. Concentration of the current buyers of the products
2. Risk inherent in being able to market the intangible

Based on the additional premium to the WACC of MesoCoat, we calculated the discount rate for the intangible assets to be 21.0 percent (rounded) as of the Valuation Date.

VIII. CONCLUSION

It is our opinion that the Fair Value of MesoCoat's 100 percent equity is **\$3.584 million** as of August 31, 2015 (see Exhibit 2).

	Fair Value as of
	<u>8/31/2015</u>
Assets	
Cash and cash equivalents	\$ 58,522
Accounts receivable	22,285
Inventories	34,560
Loan receivable - Canada	102,000
Property, plant and equipment, net	3,578,350
Intangibles	<u>1,600,000</u>
Total Assets	\$ 5,395,717
Liabilities	
Accounts payable	671,462
Accrued expenses	52,026
Other Current Liabilities	57,397
Long-term debt, net	<u>1,030,725</u>
Total Liabilities	\$ 1,811,610
Shareholders' Equity	<u><u>\$ 3,584,107</u></u>

Citrin Cooperman & Company LLP
212-2428965

Valuation prepared by:



Howard Fielstein

Certified Public Accountant • ABV/CFF, CFE, ASA, CIRA, CTP

STATEMENT OF CERTIFICATION

I certify that, to the best of our knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased, professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the asset or property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- My compensation and my firm's compensation are not contingent on any action or event resulting from the analyses, opinions or conclusions in, or the use of, this report.
- This summary report encompasses all disclosure requirements as required in accordance with the Uniform Standards of Professional Appraisal ("USPAP"), the AICPA's Business Valuation Standards known as SSVS 1, and NACVA's Business Valuation Standards.
- Prior to the commencement of this engagement, neither the undersigned nor anyone associated with this firm had any personal knowledge or association with MesoCoat, other than minor consulting services.
- This summary report has been made only for the purpose stated and shall not be used for any other purpose. The report, its conclusions and its contents may not be used, copied or transmitted in any form, in whole or in part, by any party without the prior written permission of Citrin Cooperman & Company, LLP.
- The conclusions as to fair value contained herein represent the opinion of the undersigned and are not to be construed in any way as a guarantee or warranty, either expressed or implied, that the interest being valued herein will actually sell for the fair value contained in this opinion.
- The American Society of Appraisers has a mandatory recertification program for all Senior Members (ASA designated). Howard Fielstein is in compliance with that program.
- **Tade Akinkugbe** provided notable assistance in the research and preparation of this report.



Howard Fielstein, CPA • ABV/CFF, CFE, ASA, CIRA, CTP

STATEMENT OF GENERAL ASSUMPTIONS AND LIMITING CONDITIONS

This summary report has been made with the following general assumptions and limiting conditions:

1. No investigation has been made of, and no responsibility is assumed for, the legal description or for legal matters, including title or encumbrances. Title to assets is assumed to be good and marketable unless otherwise stated. Assets are further assumed to be free and clear of any or all liens, easements or encumbrances unless otherwise stated.
2. Information furnished by others, upon which all or a portion of this report is based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. Our work does not constitute an audit, nor have we attempted to confirm the accuracy and completion of information provided to us, except within the framework of the valuation process; we do not express an opinion or any form of assurance on them. Accordingly, our work was not conducted in accordance with generally accepted auditing standards. In addition, we have not conducted a forensic examination of the books and records of MesoCoat.
3. Public, industry and statistical information has been obtained from sources we believe to be reliable. However, we make no representation as to the accuracy or completeness of such information and have performed no procedures to corroborate the information.
4. No responsibility is taken for changes in market conditions, and no obligation is assumed to revise this report to reflect events or conditions which occur subsequent to the date hereof.
5. Responsible ownership and competent property management are assumed. Full compliance with all applicable federal, state and local zoning, use, environmental and similar laws and regulations is assumed, unless otherwise stated.
6. Possession of this summary report does not convey any right of reproduction or publication, nor may it be used by anyone other than our client and, in any event, only then in its entirety.
7. Although our valuation is intended to estimate fair value, we assume no responsibility for a seller or buyer's inability to obtain a purchase contract at that price.

Exhibits

MesoCoat, Inc.
Historical Income Statements

	3 Months Ended 8/31/15	%
Sales	\$ 44,636	100.0%
Total cost of sales	<u>52,543</u>	<u>117.7%</u>
Gross profit	(7,907)	-17.7%
Operating expenses		
Finance and administrative	46,947	105.2%
Indirect Salary	30,336	68.0%
General Expenses	10,788	24.2%
Consulting expense	425	1.0%
Employee Benefits	85,235	191.0%
Indirect Support	55,147	123.5%
Research and development	213,129	477.5%
Sales and marketing	9,804	22.0%
Repairs	<u>55,199</u>	<u>123.7%</u>
Total operating expenses	507,009	1135.9%
EBITDA	(514,916)	-1153.6%
Depreciation and amortization	<u>246,453</u>	<u>552.1%</u>
EBIT	(761,370)	-1705.7%
Interest expense	(14,810)	-33.2%
Interest income	<u>627</u>	<u>1.4%</u>
Earnings before taxes	(775,553)	-1737.5%
Income taxes	<u>-</u>	<u>0.0%</u>
Net income (loss)	<u><u>\$ (775,553)</u></u>	<u><u>-1737.5%</u></u>

Source: The information in this exhibit was provided by Management.

MesoCoat, Inc.
Historical Balance Sheets

	As at 8/31/15	%	Adjustment	Fair Value as of ^[1] 8/31/15	%
Assets					
Current assets:					
[1] Cash and cash equivalents	\$ 58,522	1.0%	\$ -	\$ 58,522	1.1%
[1] Accounts receivable	40,978	0.7%	(18,693)	22,285	0.4%
[1] Inventories	34,560	0.6%	-	34,560	0.6%
[2] Loan receivable - Canada	1,466,800	24.9%	(1,364,800)	102,000	1.9%
[1] Loan receivable - Mexico	33,750	0.6%	(33,750)	-	0.0%
[1] Prepaid expenses	2,669	0.0%	(2,669)	-	0.0%
[1] Other current assets	(9,023)	-0.2%	9,023	-	0.0%
Total current assets	1,628,256	27.6%	(1,410,889)	217,367	4.0%
[1] Property, plant and equipment, net	3,998,147	67.8%	(419,797)	3,578,350	66.3%
[3] Intangibles	251,904	4.3%	1,348,096	1,600,000	29.7%
[1] Deferred finance fees	16,676	0.3%	(16,676)	-	0.0%
Total assets	\$ 5,894,983	100.0%	\$ (499,266)	\$ 5,395,717	100.0%
Liabilities and shareholders' equity					
Current liabilities:					
Accounts payable	\$ 671,462	11.4%	-	\$ 671,462	12.4%
Accrued expenses	57,129	1.0%	(5,103)	52,026	1.0%
Other Current Liabilities	57,261	1.0%	136	57,397	1.1%
Total current liabilities	785,852	13.3%	(4,967)	780,885	14.5%
Long-term liabilities:					
Long-term debt, net	1,340,880	22.7%	(310,155)	1,030,725	19.1%
Total long-term liabilities	1,340,880	22.7%	(310,155)	1,030,725	19.1%
Total liabilities	2,126,732	36.1%	(315,122)	1,811,610	33.6%
Shareholders' equity					
Common stock	4,362	0.1%	-	-	0.0%
Paid-in capital	10,678,791	181.2%	-	-	0.0%
Stock Issuable	3,908,155	66.3%	-	-	0.0%
Retained earnings	(10,823,057)	-183.6%	-	-	0.0%
Total shareholders' equity	3,768,251	63.9%	(184,144)	3,584,107	66.4%
Total liabilities and shareholders' equity	\$ 5,894,983	100.0%	\$ (499,266)	\$ 5,395,717	100.0%

Source: The information in this exhibit was provided by Management.

[1] Based on the Fair Values representations provided by Management

[2] Based on the terms of the Contribution Agreement for the Equipment

[3] Based on the Fair Value of the PcomP IP estimated by Citrin Coopermen

MesoCoat, Inc.
Valuation of IP Patent - PComP (W, M and T/S)

Exhibit 3

		Forecast							
		8m May 2016	2017	2018	2019	2020	2021	2022	Terminal Value
	Powders W Sales	743	4,216	6,973	12,230				
	Powders M Sales	638	4,856	8,372	14,275				
	Powders T/S Sales	44	389	937	4,052				
[1]	Total Revenues	\$ 1,424	\$ 9,461	\$ 16,282	\$ 30,556	\$ 31,473	\$ 32,417	\$ 32,741	\$ 33,069
	Revenue Growth %	n/m	564.6%	72.1%	87.7%	3.0%	3.0%	1.0%	1.0%
[2]	Royalty income	3.0%	43	284	488	917	944	973	992
	Corporate income-tax	39.0%	(6)	(94)	(166)	(312)	(321.03)	(331)	(334)
Net royalty income		\$ 36	\$ 190	\$ 322	\$ 605	\$ 623	\$ 642	\$ 648	\$ 655
[3]	Discount Periods	0.38	1.25	2.25	3.25	4.25	5.25	6.25	6.25
[4]	Discounting Factors	21.0%	0.931	0.788	0.651	0.538	0.445	0.368	0.304
Present Value of Discrete FCFF		34	150	210	326	277	236	197	199

Present Value of Free Cash Flows**\$ 1,429**

[5] Tax Amortization Benefit (TAB)

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Fair Value of IP Patent - PComP (rounded)**\$ 1,600****Notes***Amounts presented in \$000's.*

[1] Revenue projections are based on managements forecasts.

[2] See Exhibit 4.

[3] Discounting periods are based on the period measured from the Valuation Date and the mid period based on a May 31 year end for each year.

[4] Discounting factors are based on the discount rate determined in Exhibit 8.

[5] The TAB represents the value of the tax benefit from amortization. Assumed amortization period of 15 years for tax purposes.

MesoCoat, Inc.
Royalty Rate Analysis

Exhibit 4

Licensor	Licensee	Trademark/Licensed Products	Upfront Fee	Royalty Rate		Based on
				Low Range	High Range	
1. Alloy Steel International, Inc.	Arcoplate Holdings PLC	The acropate process enables an allow overlay to be evenly applied to a sheet of steel, creating a metallurgical bond between the alloy and the mild steel that is resistant to wear caused by impact, abrasion, and erosion.	\$ -	3.0%	3.0%	Net sales
2. Dr. Paul Vose	Integrated Micometallurgical Systems, Inc.	NeoMetx technology offers metal surface coating to reduce friction, wear, and corrosion of mechanisms with direct metal-to-metal contact.	\$ 112,500	3.0%	3.0%	Net selling price
3. Ecology Coatings, Inc.	BASF Coatings GMBH	A clean tech, EcoBloc-enabled, ultra-violet curable coating.	\$ -	0.5%	2.5%	Net sale value
4. EPL Pro-long, Inc.	Prolong Super Lubricants, Inc.	Extreme pressure additive for use in Metal Lubrication or Anti-friction metal treatment.	\$ -	3.5%	3.5%	Gross sales
5. Kenside Investments Limited	Alloy Steel International, Inc.	The acropate process enables an allow overlay to be evenly applied to a sheet of steel, creating a metallurgical bond between the alloy and the mild steel that is resistant to wear caused by impact, abrasion, and erosion.	\$ -	2.0%	2.0%	Net sales
6. Licenintorg Vsesojznoje Khozraschethaje	Kohlefield	Special machines that apply water resistant coatings to tools.	\$ -	2.5%	12.5%	Selling price
7. Lucas Industries	Chatwins Group, Inc.	Surface treatment technique, superior to chromium plating that can be applied to a vast array of automotive components increasing their wear and corrosion resistance and individual strength.	\$ -	6.0%	6.0%	Process charge
8. Undisclosed	Alloy Steel International, Inc.	The acropate process enables an allow overlay to be evenly applied to a sheet of steel, creating a metallurgical bond between the alloy and the mild steel that is resistant to wear caused by impact, abrasion, and erosion.	\$ -	2.0%	2.0%	Net sales
9. University of Missouri at Rolla	North American Advanced Materials Corp	A ceramic powder made of alumina with boron carbide whiskers and the mechanical properties of silicon nitride powder.	\$ -	5.0%	5.0%	Revenues
## UT-Battelle, LLC	MesoCoat, Inc.	High heat fluxed and heating rates to selectively treat an object, methods of rapidly processing functional material and later on temperature-sensitive substrates by exposure to pulsed infrared radiation emitted from a direct plasma arc, high energy infrared heaters used to treat an object having a surface section and a base section, and a method of thermally processing a material includes exposing the material to at least one pulse of infrared light emitted from a directed plasma arc to thermally process the material, the pulse having a duration of no more than 10 s.	\$ 10,000	2.5%	2.5%	Revenues

HIGH	MAX	6.0%	12.5%
LOW	MIN	0.5%	2.0%
MEAN	AVG	3.0%	4.2%
MEDIAN	MEDIAN	2.8%	3.0%
SELECTED ROYALTY RATE: PComP IP			
	SELECTED ^[1]		3.0%

Source: RoyaltySource Intellectual Property Database.

Notes

^[1] The selected royalty rate was selected based on a review of relevant market transactions and reflects the best available data.

MesoCoat, Inc.
Valuation of Lease Payments Receivables from Canada

Exhibit 5

		Forecast	
		Due 12/31/2015	Due 3/31/2016
^[1]	Lease Rate (in CAD \$)	83,333	83,333
^[2]	Payment	\$ 63,082	\$ 63,082
	Corporate income-tax	(10,724)	(10,724)
Net royalty income		\$ 52,358	\$ 52,358
^[3]	Discount Periods	0.38	1.00
^[4]	Discounting Factors	0.988	0.968
Present Value of Discrete FCFF		51,724	50,685

Present Value of Lease Payments **\$ 102,409**

Fair Value of Contribution Agreement (rounded) **\$ 102,000**

Notes

Amounts presented in \$USD Actual.

- ^[1] Based on the terms Contribution Agreement provided by Management.
- ^[2] Exchange Rate for USD/CAD.
- ^[3] Discounting periods are based on the period measured from the Valuation Date and the mid period based on March 31 year 2016.
- ^[4] Discounting factors are based on the discount rate determined in Exhibit 8.
- ^[5] The TAB represents the value of the tax benefit from amortization. Assumed amortization period of 15 years for tax purposes.

MesoCoat, Inc.
Cost of Equity - Adjusted Capital Asset Pricing Model

Exhibit 6

^[1] Market Risk Premium		(Rm - Rf - ERP_a)
Market Return (Rm)		9.40%
Less: Risk Free Rate (Rf)		-2.40%
Less: Historical Supply Side ERP Adjustment (ERP _a)		<u>-0.79%</u>
Market Risk Premium		<u>6.21%</u>
Cost of Equity (Adjusted CAPM)		Ke= Rf + (Beta*MRP) + s + R(cs)
^[2] Risk Free Rate of Return (Rf)		2.64%
Market Risk Premium (Rm - Rf -ERP _a)	6.21 %	←
^[3] Levered Beta - Subject Company	1.85	
Levered Beta * Market Risk Premium		11.51%
^[4] Small Stock Risk Premium (s)		5.99%
Company Specific Risk Premium R(cs)		<u>4.00%</u>
Cost of Equity (Ke)		<u>24.14%</u>
Cost of Equity (Ke) (rounded)		<u>24.00%</u>

Note:

^[1] Information estimated by Duff & Phelps for the 12 months ending 12/31/14. (Duff & Phelps 2015 Valuation Handbook published by Duff & Phelps, LLC).

^[2] Yield on 20 year treasury bonds obtained from Federal Reserve Statistical Release dated August 31, 2015.

^[3] Based on publicly traded guideline comparables in the subject industry. See Exhibit 7.

^[4] Size Premium (in excess of CAPM) based on deciles of the NYSE/NYSE MKT/NASDAQ Smallest category 10. (Duff & Phelps 2015 Valuation Handbook published by Duff & Phelps, LLC).

^[5] Additional risk associated with the Company.

MesoCoat, Inc.
Beta Analysis

Exhibit 7

	Levered Beta ^[1]	Tax Rate ^[2]	Debt Weighting ^[3]	Equity Weighting ^[4]	Unlevered Beta ^[5]
	B_L	T_r	W_d	W_e	B_u
S & P	1.00	n/a	n/a	n/a	n/a
VMI	1.10	32.5%	23.7%	76.3%	0.91
ARCW	1.48	100.1%	46.4%	53.6%	1.48
CVR	0.36	31.3%	0.0%	100.0%	0.36
GIFI	1.96	37.6%	0.0%	100.0%	1.96
PKOH	2.58	34.7%	50.1%	49.9%	1.56
FOE	2.07	82.3%	27.8%	72.2%	1.94
Median	1.72	36.2%	25.7%	74.3%	1.52

Market Unlevered Beta (B _u)	1.52
Subject Company - Equity Weighting (W _e)	75.0%
Subject Company - Debt Weighting (W _d)	25.0%
Subject Company - Income Tax Rate (T _r)	34.0%
^[6] Subject Company Levered Beta (B_L)	1.85

Note:

^[1] Based on five-year monthly returns of the security as compared to five-year monthly returns of the S&P 500 index.

^[2] Calculated for each guideline public company (Taxes Paid / Earnings Before Taxes).

^[3] Calculated as the guideline public company's (MVIC-Equity)/MVIC.

^[4] Calculated as the guideline public company's Equity/MVIC.

^[5] $B_u = B_L / [1 + (1 - T_r) * (W_d / W_e)]$.

^[6] $B_L = B_u * [1 + (1 - T_r) * (W_d / W_e)]$.

MesoCoat, Inc.
Weighted Average Cost of Capital

Exhibit 8

<u>Cost of Equity</u>		<u>Weighted Average Cost of Capital</u>			
			<u>Cost</u>	<u>Applied Weights^[3]</u>	<u>Weighted Cost</u>
¹ Adjusted Capital Asset Pricing Model	<u>24.00%</u>	Equity	24.00%	75.00%	18.00%
		Debt	3.30%	<u>25.00%</u>	<u>0.83%</u>
Cost of Equity (Ke) Applied	<u>24.00%</u>			<u>100.00%</u>	<u>18.83%</u>
<u>After-Tax Cost of Debt</u>		<u>Kd = Kb (1 - t)</u>			
^[2] Estimated Cost of Debt (Kb)	5.00%	WACC (rounded)			
		19.00%			
Blended Tax Rate (t)	<u>34.00%</u>				
After Tax Cost of Debt (Kd)	<u>3.30%</u>				
		IP Royalty	Premium 2%		21.00%

Note:^[1] See Exhibit 6.^[2] The Company's cost of debt is estimated to be 5% based on comparables and MesoCoat's current situation.^[5] Selected optimal capital structure of 25% debt and 75% equity.

DOCUMENTS AND INFORMATION CONSIDERED

As part of our analysis we relied upon the following:

- Form 10-k for Abakan, Inc. for the fiscal year end May 31, 2015
- Form 8-k for Abakan, Inc. for the period ending September 16, 2015
- Internally prepared financial statements
- Equipment sale and use agreement dated for August 3, 2011 entered into by and between Caterpillar Inc. and MesoCoat, Inc.
- Limited exclusive commercial field of use patent License Agreement between UT-Battelle, LLC and MesoCoat, Inc. dated September 15, 2009
- Commercial Security Agreement between MesoCoat, Inc. and The Huntington National Bank dated June 29, 2012
- Loan Agreement between the Director of Development of the State of Ohio and MesoCoat, Inc. dated as of July 20, 2012
- First Amendment to the Loan Agreement between the Director of Development of the State of Ohio and MesoCoat, Inc. dated July 20, 2012
- Amending Agreement among Board of governors of the Northern Alberta Institute of Technology and MesoCoat, Inc. and Abakan, Inc. dated April 1, 2014
- Sales Agency Termination Agreement between Metallurgic Solutions, SA de CV and Abakan, Inc. dated April 2015
- Settlement and Exchange Agreement dated as of July 23, 2015 by and among Powdermet, Inc. and Abakan, Inc. dated as of July 23, 2015
- Employment Agreement between MesoCoat de Mexico SA de CV and Abakan, Inc. undated and not signed
- Stock Option Agreement between Abakan Inc. and Jose Maria Ribot Barroso
- Indemnification Agreement dated June 6, 2013 between MesoCoat, Inc. and Abakan, Inc.
- Promissory Note between MesoCoat, Inc. and The Huntington National Bank dated June 11, 2013
- Loan Agreement between MesoCoat, Inc. and the Cuyahoga County Department of Development dated July 10, 2008
- Ground Lease with option to purchase between Sherman Properties, LLC and MesoCoat, Inc. dated May 31, 2014

- Equipment lease between MesoCoat, Inc. and Olympus Financial Services signed July 18, 2011
- Credit Application between MesoCoat, Inc. and Olympus Financial Services signed July 8, 2011
- Release between Sharman Properties, LLC and MesoCoat, Inc. dated July 23, 2015
- MesoCoat Journal Entries for August 31, 2013
- Employment Agreement between April 30, 2015 between MesoCoat SA de CV and Abakan, Inc. dated April 30, 2015
- Duff & Phelps, LLC 2014 Valuation Handbook
- Duff & Phelps, LLC 2014 Cost of Capital Yearbook
- Duff & Phelps, LLC Risk Premium Report 2014
- IBISWorld Industry Report – Metal Plating & Treating in the US; August 2015
- National Economic Review, Second Quarter 2015 – Mercer Capital
- United States Internal Revenue Service, Revenue Rulings 59-60 - Valuation of Stocks and Bonds.
- Statement of Standards for Valuation Services (SSVS 1) issued June 2007 by the AICPA Consulting Services Executive Committee.
- "Valuing a Business: The Analysis and Appraisal of Closely Held Companies," fifth edition, by Shannon P. Pratt with Alina V. Niculita, 2008.
- "Financial Valuation: Applications and Models," 3rd edition, by James Hitchner, 2011.
- www.sec.gov
- www.federalregister.gov
- Industry research conducted by our staff.



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Curriculum Vitae of

HOWARD FIELSTEIN, CPA/ABV/ CFF, CFE, CIRA, CTP, CVA, CBA, CDBV, ASA

EDUCATIONAL BACKGROUND AND CREDENTIALS

- * Profession Certified Public Accountant in New York
- * Credentials
 - Accredited in Business Valuation - American Institute of Certified Public Accountants
 - Certified in Financial Forensics - American Institute of Certified Public Accountants
 - Certified Fraud Examiner - Association of Certified Fraud Examiners
 - Certified Insolvency and Restructuring Advisor – Association of Insolvency and Restructuring Advisors
 - Certified Turnaround Professional - Turnaround Management Association
 - Certified Valuation Analyst - National Association of Certified Valuation Analysts
 - Certified Business Appraiser - Institute of Business Appraisers
 - Certified in Distressed Business Valuation - Association of Insolvency and Restructuring Advisors
 - Accredited Senior Appraiser – American Society of Appraisers
 - Private Investigator licensed by the New York State Department of State Division of Licensing Services
 - Successful completion of U.S. Department of Justice, Executive Offices for U.S. Trustees background investigation for appointment as a Chapter 11 Examiner.

Curriculum Vitae of

HOWARD FIELSTEIN, CPA/ABV/CFF, CFE, CIRA, CTP, CVA, CBA, CDBV

- * **Education** Brooklyn College, City University of New York; B.S., Accounting (1979)

PROFESSIONAL EXPERIENCE

- * Howard Fielstein is a Partner in the Valuation & Forensics Services Group at Citrin Cooperman & Company, LLP.
- * He specializes in investigative accounting, business valuations and damage claims associated with white collar crime, professional liability, business interruption claims, intellectual property suits, torts, matrimonial actions, and business bankruptcies and insolvencies.
- * Mr. Fielstein has qualified as an expert and provided testimony in Federal and State Courts. He has been Court-appointed as a Neutral Appraiser and as an Examiner of businesses in connection with various types of matters, and is an Approved Member of the Mediation Panel of the Bankruptcy Court for the Southern District of New York. Appointed Chapter 11 Trustee in US Bankruptcy Court – District of New Jersey.
- * Throughout his career, he has lectured and published articles on various valuation and litigation consulting topics.

PROFESSIONAL ASSOCIATIONS AND ACTIVITIES

Member of:

- * American Bankruptcy Institute
- * American Bar Association - Associate Member
- * American Institute of Certified Public Accountants
- * American Society of Appraisers
- * Association of Certified Fraud Examiners -Former Vice President, Nassau Chapter
- * Association of Insolvency and Restructuring Advisors - Former Board Member
- * Association of Certified Turnaround Professionals
- * Institute of Business Appraisers
- * National Association of Bankruptcy Trustees
- * National Association of Certified Valuation Analysts
- * New York Institute of Credit - Board Member, former Chairman

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HOWARD FIELSTEIN, CPA/ABV/CFF, CFE, CIRA, CTP, CVA, CBA, CDBV

- * New York State Society of Certified Public Accountants. - Bankruptcy and Insolvency Committee, Business Valuation Committee, Litigation Committee
- * Turnaround Management Association, New York City Chapter - Chairman, National Finance Committee; Former Chairman, Chapter Presidents' Council; Former Executive Committee Member of International Board of Directors

TRIAL TESTIMONY

1. Stuart's, LLC and Wayne Galvin v. Stuart Edelman, Level 8 Apparel, LLC, et al. – (Nassau Supreme Court- Judge Vito M. DeStefano)
2. Ace Alliance, Inc. (Federal Bankruptcy Court – Judge Rosemary Gambardella)
3. Mel Blum, v. Rudolph Rosenberg, (American Arbitration Association - Hon. Michael Wexelbaum)
4. 285 West Broadway, LLC v. 285 West Broadway Associates Limited Partnership (American Arbitration Association JAMS - Hon. Michael J. Dontzin)
5. Estate of Marie J. Jensen, Deceased, Virginia E. Mauer, Executrix v. Commissioner of Internal Revenue (United States Tax Court - Hon. Juan F. Vasquez)
6. In the Matter of the Application of Edward Murphy, et al. v. United States Dredging Corporation et al. (Supreme Court, Nassau County, New York - Hon. Ira Warshawsky)
7. Frederick Rehberger v. MRW Group, Inc. (Supreme Court, Suffolk County, New York - Hon. Joanna Seybert)
8. Jeffrey Chertoff v. Susan Chertoff (Supreme Court, New York County, NY - Hon. Laura Drager)
9. Jane Drake Hale v. Robert V. Hale (Supreme Court, New York County, New York - Hon. Joan B. Lobis).
10. Glaceau Water Company, Inc. v. Systems Bio-Industries, Inc. (U.S. District Court, Eastern District of New York - Hon. John Gleeson)
11. Laurence Silbert v. New Sabina Properties, Inc. (Supreme Court, Nassau County, New York - Hon. Alfred S. Robbins).
12. Group Trust No. 47 (U. S. Bankruptcy Court, Eastern District of New York - Hon. Robert John Hall).
13. Micro-Med Instruments, Inc. (U.S. Bankruptcy Court, Southern District of New York - Hon. Jeremiah E. Berk).
14. Allegiance Van Lines, Inc. (U.S. Bankruptcy Court, Eastern District of New York - Melanie Cyganowski).

Curriculum Vitae of

HOWARD FIELSTEIN, CPA/ABV/CFF, CFE, CIRA, CTP, CVA, CBA, CDBV

DEPOSITIONS

1. Kathryn Bensenson Marcus and Sarah Beneson Goldberg vs. Lisa Quattochi, Amy Aronson, Clifford Aronson, Alice Siegel (Executors of the Estate of George Siegel); Albert Fleischman as Trustee of Nettie-Edward H. Benenson Family Trust.
2. Maddaloni Jewelers, Inc. v. Rolex Watch, U.S. A., Inc., et al
3. Alan H. Rosenstein v. Philip M. Eisenberg (individually and as a Managing Member of Urban American Partners, LLC, and as an Officer and Director of Urban American Management Corp.; Stuart W. Ray; Betsy Sevin Eisenberg; Douglas F. Eisenberg; Urban American Partners; and Urban American Management Corp).
4. Martin Lifton, d/b/a The Lifton Company vs. Arthur H. Christy, as Trustee for the Malpractice Claimants Trust and the Malpractice Claimants Insurance Trust).
5. Amerigroup Inc., Amerigroup Leasing Inc., Amerigroup Management, Inc., Amerigroup Bloodlines, Inc. and First Amerigroup Securities, Inc.

PUBLICATIONS AUTHORED

- * "Don't be Blindsided by Fraud" New York Law Journal (October 2009).
- * "Assessing the Credentials of Financial Advisors" American Bankruptcy Institute Journal (June 2009).
- * "Litigation Consulting - An Overview" The Metropolitan Corporate Counsel (December 2004).
- * "Valuation of Intellectual Property" The Metropolitan Corporate Counsel (February 2004).
- * "Valuation Consultant's Role in Litigation Support Services" The Metropolitan Corporate Counsel (December 2003).
- * "The Forensic Accountant; Adding Strength to the Litigation Support Team" The Metropolitan Corporate Counsel (June 2003).
- * "Valuation of Distressed Companies" Valuation Strategies (November/December 2002).
- * "Forensic Accounting in Litigation" New York Law Journal (July 1998).
- * "Detecting Financial Statement Fraud" Directors & Boards (Summer 1998).
- * "Alternatives to Bankruptcy: Effective Turnaround Procedures are Needed" The Attorney of Nassau County (February 1998).
- * "Forensic Accountants' Heyday" Legal Times (July 1996).

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HOWARD FIELSTEIN, CPA/ABV/CFF, CFE, CIRA, CTP, CVA, CBA, CDBV

LECTURES AND PRESENTATIONS

- * "Implication of Built-in Gains Tax on Valuations" Foundation for Accounting Education Estate Planning Conference. (October 2011)
- * Business Valuation, National Business Institute Topics: "Standard" "Methods and Approaches". (October 2010)
- * "Accounting 101 for Attorneys" National Business Institute Topics: "Understanding Basic Accounting Concepts" and "Identifying Fraud". (June 2010)
- * "Protecting Intellectual Property", Joint Presentation with Rivkin Radler LLP to the Partners of Margolin, Winer & Evens LLP. (November 2009)
- * "Legal Risks for Accountants" ALM Media, Inc., dba Incisive Media. (December 2008)
- * "Financial Statement Analysis" HSBC Business Credit (USA) Inc. (Accounting Executives - 3 day course). (August 2008)
- * "What Credit Needs to Defend in Bankruptcy" Credit Executives Group led by Atwell, Curtis & Brooks, Ltd. (August 2007)
- * "Valuation Primer to the Bankruptcy Judiciary" Nassau County Bar Association/New York Institute of Credit. (December 2006)
- * "Financial Statement Analysis for the Non-Financial Advisors" National Business Institute. (September 2006)
- * "Managing Turnaround and Bankruptcy Cases" Presented to Certified Insolvency & Restructuring Advisor Candidates CIRA Exam Seminar. (September 2006)
- * "Credit Managers and the Sarbanes-Oxley Act - A Brave New World" Atwell, Curtis & Brooks Ltd. Accounts Receivable Consulting/Auditing. (August 2006)
- * "Maximizing Value for Closely Held Companies" Long Island Capital Alliance. (April 2006)
- * "Deepening Insolvency -Impact & Pitfalls" New York Institute of Credit/International Women's Insolvency & Restructuring Confederation. (April 2006)
- * "A Practical Guide to Valuing, Buying and Selling a Privately Held Business in New York" Nation Business Institute. (October 2004)
- * "Forensic Accounting" Presented to NY University Department of Finance, Stern School of Business (May 2004)
- * "Financial Analysis of Distressed Entities" Presented to Milliken & Company (April 2004)
- * Latest Trends and Outlook for Restructuring" Program Welcoming Remarks as Vice President of Membership, Turnaround Management Association, New York Chapter (February 2004)

Curriculum Vitae of

HOWARD FIELSTEIN, CPA/ABV/CFF, CFE, CIRA, CTP, CVA, CBA, CDBV

- * “People in Transition” Panelist Presented by Women & Co., a member of Citigroup (January 2004)
- * “Fraud Investigations and Business Valuation” Presented to Olympus America, Inc. (December 2003)
- * “Corporate Fraud and the Loan/Syndication Markets” Strategic Research Institute – 7th Annual Loan Markets & Syndication Symposium (December 2003)
- * “Identifying and Assessing a Company’s Vulnerability to Fraud” Strategic Research Institute – The Premier Forum on Corporate Fraud, Non-Compliance and the Debt/Equity Capital Markets (November 2003)
- * “The Family Limited Partnership’s Future as a Viable Estate Planning And Creditor Protection Vehicle” Presented to Clients and Friends of Margolin, Winer & Evens LLP (November 2003)
- * “Fraud – It’s Everyone’s Concern: Issues in Detection and Deterrence” Presented to Hauppauge Industrial Association (October 2003)
- * “Creditor Committee Accountants’ Roles and Responsibilities: - Panelist Foundation for Accounting Education Bankruptcy and Financial Reorganization Conference (July 2003)
- * “Basic Accounting”, “Accounting in Bankruptcy” and “Business Valuation” Presented to Anderson, Kill & Olick, LLP, New York, NY (March 2003)
- * “Taking Advantage of Important Wealth Transfer Strategies In a Low Interest Rate Environment” Presented to Clients and Friends of Margolin, Winer & Evens LLP (December 2002)
- * “Business Valuation” Presented to New York Society of Independent Accountants (October 2002)
- * “Evaluating and Selling Businesses in Bankruptcy” – Panelist Foundation for Accounting Education Bankruptcy and Financial Reorganization Conference (July 2002)